

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6243

BILL NUMBER: SB 93

NOTE PREPARED: Dec 18, 2008

BILL AMENDED:

SUBJECT: Limit Sales Tax on Gasoline.

FIRST AUTHOR: Sen. Young R Michael

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
☐ FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that the amount of Sales Tax collected on gasoline or diesel fuel may not exceed the amount of Sales Tax collected when the pump price is \$3.00 per gallon. It also makes conforming changes.

Effective Date: June 1, 2009; July 1, 2009.

Explanation of State Expenditures: *Department of State Revenue (DOR):* This bill will result in an increase in administrative costs for the DOR by requiring the DOR to revise Sales Tax forms as well as update computer software. This increase is indeterminable and will depend on the amount of resources that will be required to implement the data base to effectively monitor gas prices under the bill.

Sales Tax on gasoline is collected differently than Sales Tax on other purchases. By statute, retailers are required to prepay the Sales Tax on gasoline. The prepayment rate is equal to the statewide average price per gallon, multiplied by the Sales Tax rate, multiplied by 90%. The prepayment rate is determined semiannually (in June and December) by the DOR, and is limited to 125% of the previous prepayment rate. Retail merchants are then required to file their returns monthly and remit Sales Tax which has been collected on the gasoline, less the amount of prepaid tax.

Explanation of State Revenues: *Summary* - This bill could potentially have no impact on revenue in FY 2010. The bill provides that Sales Tax may not be applied to any portion of the sales price of gasoline that is above \$3. Under this bill, the "sales price of gasoline" is the price per unit excluding Sales Tax and state and federal motor fuel taxes. According to the Energy Information Administration's November *Short Term Economic Outlook*, gas prices are expected to remain well below \$3 throughout FY 2010. However if gas

prices are higher than forecasted and exceed \$3, there would be a negative impact on revenue. The exact amount of the impact will be determined by the portion of the sales price of gasoline which is above \$3. Assuming a pump price of \$3.75, this bill could potentially decrease sales tax revenue by \$36.4 M per year.

The impact of this bill on Sales Tax collections on diesel is indeterminate.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR.

Local Agencies Affected:

Information Sources: Information Administration *Short Term Energy Outlook* ,November 2008.
www.eia.doe.gov.

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